

# Service Area Plan

## Department of Human Resource Management

### State Employee Workers' Compensation Services (70418)

## Service Area Background Information

### Service Area Description

This statutorily mandated service area is responsible for establishing a workers' compensation insurance program for all state employees. Additional responsibilities of this unit include loss prevention programs to reduce the likelihood of workplace injuries, ensuring that injured employees receive timely, quality medical care, payment of lost wages, a disability management program to assure return-to-work with the agency whenever possible, or rehabilitation/job training and job placement. The program receives between 9,500 - 10,500 new claims every year and issues 106,454 checks totaling more than \$47 million in benefits in FY 05.

Associated outcomes include providing cost containment, consultation, guidance and educational programs to increase safety in the workplace, increase return-to-work opportunities, and reduce the program cash flow claims payments.

### Service Area Alignment to Missio

This service area directly aligns with DHRM's mission to provide our customers with guidance, consultation, training, and delivery of services.

### Service Area Statutory Authority

Code of Virginia § 65.2 Workers' Compensation Act

Code of Virginia § 2.2-2821 Workers' Compensation Program Established

29 CFR 1910 OSHA General Industry Regulations

### Service Area Customer Base

Customer(s)	Served	Potential
	140	140
	1	1
	12	12
	17	17
	5	49
Injured workers	10,000	140,785
Local government WC Training	16	960
State Agencies WC insurance	123	180
WC Training for private employers	10	270,000

### Service Area Partners

#### **Third Party Administrators**

The Program has outsourced claims administration and cost containment services to Managed Care Innovations. Managed Care Innovations and their subcontractors provide claims adjusting services, medical cost containment services, loss control services, field vocational and medical services, surveillance, discount prescription drug program, and a preferred provider network. The staff of 63 is co-located with the DHRM workers' compensation staff.

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#### Service Area Products and Service

- **Policy Administration:**  
This statutorily mandated unit is responsible for establishing a workers' compensation insurance program for all full-time and part-time state employees and all self-insurance policy administration. The program's actuary develops premiums using an experience-based model as required by the Appropriations Act. Premiums are developed by September 1 in advance of the biennium and submitted to the Governor and the General Assembly for approval. Premiums are charged to all state agencies annually using premium statements that provide detailed information on how the premium for each agency was developed.

- **Claims Management**

The Claims Management unit receives between 9,500 and 10,500 new state employee workers' compensation claims a year. These services are outsourced through a public-private partnership through a competitive procurement process. The staff of the contractor is housed on the DHRM premises and works very closely with management and agencies. Each claim must be investigated and evaluated for coverage under the Workers' Compensation Act. The program is responsible for assuring that state injured employees receive timely, quality medical care, payment of lost wages, rehabilitation/job training and job placement. Claims are administered in compliance with Virginia law. This unit works closely with the Office of the Attorney General staff that provides legal defense on any contested matters.

- **Loss Control**

Loss prevention services are provided predominantly by contract staff as part of the public private partnership. The program provides educational programs to state agency employees to reduce the likelihood of workplace injuries and to assure OSHA laws are understood and mandated programs developed. Consultants analyze data to determine the agencies with the greatest risks and conduct consultation visits to agencies to provide advice and guidance on ways to reduce and eliminate workplace injuries.

#### **Factors Impacting Service Area Products and Services**

Increased unemployment in some geographic areas of Virginia causing an inability to locate alternative employment when the employee is unable to return to work at the state agency

Inability of claims service provider to maintain experienced and stable telephonic nurse consultant team

#### **Anticipated Changes To Service Area Products and Service**

The demand for return-to-work assistance is anticipated to increase as a higher percentage of employees injured participate in the Virginia Sickness and Disability Program which separates employees after six months of disability.

#### Service Area Financial Summar

	<u>Fiscal Year 2007</u>		<u>Fiscal Year 2008</u>	
	General Fund	Nongeneral Fund	General Fund	Nongeneral Fund
<b>Base Budget</b>	\$0	\$807,893	\$0	\$807,893
<b>Changes To Base</b>	\$0	\$45,351	\$0	\$45,351
<b>SERVICE AREA TOTAL</b>	<b>\$0</b>	<b>\$853,244</b>	<b>\$0</b>	<b>\$853,244</b>

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## Service Area Objectives, Measures, and Strategies

### Objective 70418.01

#### ***Maintain competitive workers' compensation plan for state employees***

The program provides a cost-effective insurance product for state agencies to provide financial protection for occupational illnesses and injuries as covered by the Workers' Compensation Act, Code of Virginia 65.2. The program enhances cost savings through claims management, preferred provider organization, discounted pharmacy benefits and support for cases in litigation. The program completes a study by September 1 in advance of the biennium to the Governor and the General Assembly providing experience-based premium recommendations. The program is responsible for completing an annual actuarial study to identify the ultimate financial exposure to the Commonwealth for all workers' compensation claims.

#### **This Objective Supports the Following Agency Goals:**

- Provide statewide leadership in all areas of human resources management and address continuously changing management needs of state agencies throughout the Commonwealth.

#### **This Objective Has The Following Measure(s):**

- **Measure 70418.01.01**

##### ***Cash flow workers' compensation savings***

**Measure Type:** Outcome      **Measure Frequency:** Annually

**Measure Baseline:** \$10 million savings based upon actuarial fiscal year claims payment expenditures as stated in the Workers' Compensation Claims and Cost Containment Contract

**Measure Target:** \$10 million savings based upon actuarial fiscal year claims payment expenditures as stated in the Workers' Compensation Claims and Cost Containment Contract

##### **Measure Source and Calculation:**

The annual payroll amount is inserted into a pre-defined mathematical formula prepared by the program actuary which is part of the Workers' Compensation Claims and Cost Containment Contract. Annual payment amounts are compared to actuarial projections derived from the formula. The savings is the same difference between actual cash flow payments and projected cash flow payments.

#### **Objective 70418.01 Has the Following Strategies:**

- Complete audits of cost-containment programs to ensure maximum discounts are being obtained from service partners.
- Make final determination on compensation decisions for compliance with caselaw and Workers' Compensation Act
- Analyze agency utilization of the preferred provider network to assure maximum savings for the program.
- Publicize experience-based premiums to agencies and educate agencies on strategies that can impact their premiums.

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- Meet with human resource directors to discuss and strategies to improve timeliness and increase utilization of cost-containment services

#### **Objective 70418.02**

##### ***Provide cost containment, consultation and education programs to increase workplace safety***

The program conducts training and educational programs across the state to increase knowledge and awareness of strategies to reduce and eliminate workers' compensation claims. Loss control inspection and consultation services of high-risk facilities are provided to client agencies with the goal of recommending strategies to minimize injuries and increase compliance with Occupational Safety and Health Regulations and to address hazardous conditions that may exist.

##### **This Objective Supports the Following Agency Goals:**

- Provide timely, accurate, and consistent human resource information utilizing cost effective delivery channels.
- Develop and implement a statewide workforce planning program to forecast human resource trends and to assist agency management in addressing their human resource needs.

##### **This Objective Has The Following Measure(s):**

###### ● **Measure 70418.02.01**

###### ***Number of loss control and OSHA certification training programs conducted***

**Measure Type:** Output                      **Measure Frequency:** Annually

**Measure Baseline:** 44 loss control and OSHA certification training programs conducted in fiscal year 2005

**Measure Target:** 48 loss control and OSHA certification training programs conducted, representing a 10% increase

###### **Measure Source and Calculation:**

The Training Program Report - the number of training programs provided.

###### ● **Measure 70418.02.02**

###### ***Number of safety inspections of high-risk facilities***

**Measure Type:** Output                      **Measure Frequency:** Annually

**Measure Baseline:** 61 safety inspections and consultations conducted in fiscal year 2005

**Measure Target:** 64 safety inspections and consultations conducted, representing a 5% increase

###### **Measure Source and Calculation:**

The Loss Control Consultation and Inspection Report of the number of loss control inspections and on-site consultation services provided.

##### **Objective 70418.02 Has the Following Strategies:**

- Review agencies' annual loss analysis and goals to control injuries and provide guidance and assistance
- Develop and deliver loss control and OSHA certification training
- Analyze claims data to select high-risk facilities and perform safety inspections
- Follow-up to increase implementation of inspection recommendations

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- Analyze claims data to determine adverse trends
- Develop best-practice articles for posting on the website for use by agency human resource and loss control personnel
- Increase agency awareness and utilization of the CommonHealth and Healthy Virginians programs as agency loss control initiatives to decrease the number and severity of workplace accidents

#### **Objective 70418.03**

##### ***Reduce periods of disability and increase employee return to work rates***

The program actively works with state employees and agencies to promote employees' return-to-work in a safe and healthy manner according to the Workplace Safety and Health Executive Order. The program's primary goal is to communicate with the employee, agency, and treating physician in order to increase opportunities for return-to-work with the agency as a first priority. The program provides education, advice, and guidance as agencies implement and improve their return-to-work programs.

##### **This Objective Supports the Following Agency Goals:**

- Provide statewide leadership in all areas of human resources management and address continuously changing management needs of state agencies throughout the Commonwealth.

##### **This Objective Has The Following Measure(s):**

- **Measure 70418.03.01**

##### ***Number of education programs focused on claims management and return-to-work***

**Measure Type:** Output                      **Measure Frequency:** Annually

**Measure Baseline:** 36 training programs on claims management and return-to-work in fiscal year 2005

**Measure Target:** 40 training programs on claims management and return-to-work, representing a 10% increase

**Measure Source and Calculation:**

The Training Program Report of the number of training programs completed.

- **Measure 70418.03.02**

##### ***Workers' compensation claims employee return to work rate***

**Measure Type:** Output                      **Measure Frequency:** Annually

**Measure Baseline:** 84% workers' compensation claims employee return to work rate in fiscal year 2005

**Measure Target:** 88% workers' compensation claims employee return to work rate, representing a 5% increase

**Measure Source and Calculation:**

The claims system Return-to-Work Report.

##### **Objective 70418.03 Has the Following Strategies:**

- Create DHRM return-to-work unit consisting of the current Disability Manager and three new DHRM Return-To-Work Consultant (RTWC) positions dedicated to increasing return-to-work opportunities with state government (funded by decrease in three telephonic contract consulting positions)

# **Service Area Plan**

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- RTWC will conduct reviews of agencies' lost time claims to determine if best practices are being followed.
- Increase utilization of job club through early intervention to increase return to work.
- Increase utilization of field vocational and medical services within the first six months of disability to increase return to work.
- Develop improved analytical reports to identify cases in need of early intervention for use by RTWC
- RTWC will meet with agency human resource directors to discuss best-practice strategies to increase retention and return-to-work opportunities for state employees.
- RTWC will conduct training for agencies on evaluating work restrictions, modifying job duties, and creating transitional employment.
- RTWC will evaluate agencies' return-to-work practices and programs and provide consultation services as required.
- Conduct periodic audits of claims service provider's data to increase the accuracy of disability tracking data
- Collaborate with the Virginia Retirement System to create a joint agency return to work training and return to work modification of agency policy to include non-occupational injuries.